

**Franchise Tax Board****ANALYSIS OF ORIGINAL BILL**

Author: Wolk Analyst: Scott McFarlane Bill Number: SB 342  
Related Bills: See Legislative History Telephone: 845-6075 Introduced Date: February 15, 2011  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Voluntary Compliance Initiative (VCI) Two

**SUMMARY**

This bill would do the following:

- Authorize a voluntary compliance initiative (VCI) permitting taxpayers to file amended returns and pay the tax and interest associated with abusive tax avoidance transactions (ATATs) or unreported offshore income and avoid criminal prosecution and the imposition of certain penalties;
- Make amendments to current law to encourage participation in the VCI;
- Make amendments to eliminate definitional inconsistencies in current abusive-tax-shelter laws by creating a uniform definition of an ATAT; and
- Conform to the federal 20-percent penalty on baseless refund claims.

**RECOMMENDATION AND SUPPORTING ARGUMENTS**

No position.

**SUMMARY OF SUGGESTED AMENDMENTS**

Amendments are suggested to make minor technical modifications.

**PURPOSE OF THE BILL**

According to the author's staff, the purpose of this bill is to restore fairness to the tax system by curtailing illegal tax evasion that occurs when taxpayers participate in ATATs or underreport income by using an offshore financial arrangement and to enhance penalty and enforcement measures to deter future investment in ATATs.

**EFFECTIVE/OPERATIVE DATE**

This bill would be effective on January 1, 2012. Except for the extended statute of limitations and the VCI Two filing period, the provisions of this bill would be operative for taxable years beginning, notices mailed, amended returns filed, and subpoenas issued on or after January 1, 2012. The extended statute of limitations would be operative for taxable years that have not been closed by a statute of limitations as of April 1, 2011. The VCI Two filing period would be operative from April 1, 2011, to June 15, 2011; however, there is an implementation concern because the filing period would occur before the bill would become effective.

Board Position:

\_\_\_\_\_ S \_\_\_\_\_ NA \_\_\_\_\_ X NP  
\_\_\_\_\_ SA \_\_\_\_\_ O \_\_\_\_\_ NAR  
\_\_\_\_\_ N \_\_\_\_\_ OUA

Department Director

Date

Selvi Stanislaus

03/21/11

## BACKGROUND

### Abusive Tax Shelters

Abusive tax shelters are tax schemes that serve no significant purpose other than reducing tax. The Internal Revenue Service (IRS), the Franchise Tax Board (FTB), and the courts generally deny claimed tax benefits if the transaction that gives rise to those benefits lacks significant economic substance independent of income tax considerations, even though such transaction may not literally break any tax law.

In the late 1990s, the number and complexity of abusive tax shelters grew exponentially. Abusive tax shelters were structured with multiple transactions, multiple taxpayers, or both, in order to complicate the issue and impede detection. To combat this problem, and to restore fairness to the tax system, California and the federal government have enacted legislation to combat abusive tax shelters.

In 2000, Congress created interlocking disclosure obligations for both taxpayers and advisors requiring both to disclose (i.e. "report") in writing to the IRS potentially abusive transactions, known as "reportable transactions."<sup>1</sup> To enforce these disclosure obligations, Congress subsequently enacted strict-liability penalties that apply to both taxpayers and advisors for any failure to disclose a reportable transaction.<sup>2</sup> California generally conforms to the federal reportable-transaction disclosure requirements and penalties, with modifications.<sup>3</sup>

In 2003, California enacted the first-in-the-nation comprehensive state-level anti-abusive-tax-shelter statutes that codified the term ATAT, created a regime of penalties and other provisions to curtail the use of ATATs, and enacted a VCI that permitted taxpayers to file amended returns, pay the tax and interest associated with an ATAT, and avoid criminal prosecution and the imposition of certain penalties.<sup>4</sup>

While state and federal legislation enacted in the 2000's was generally effective in curtailing the use of that era's mass-marketed abusive tax schemes, ATATs continue to be a problem for both the FTB and the IRS, as ATAT promoters continue to concoct more sophisticated and customized abusive tax schemes.

---

<sup>1</sup> The IRS issued temporary reportable-transaction regulations on February 28, 2000, and those regulations became final on February 28, 2003. Treas. Reg. section 1.6011-4.

<sup>2</sup> Subtitle B of Title VIII of the American Jobs Creation Act of 2004 and Section 2041 of the Small Business Jobs Act of 2010. The strict-liability penalty for the failure to disclose a reportable transaction is generally 75 percent of the reduction in tax reported on the participant's income tax return as a result of participation in the transaction, or that would result if the transaction were respected for federal tax purposes; however, the minimum penalty is \$5,000 and the maximum penalty is \$200,000. IRC section 6707A.

<sup>3</sup> R&TC sections 18407 and 19772. The California penalty only applies to taxpayers with taxable income of more than \$200,000, and the penalty for failure to disclose a reportable transaction (other than a listed transaction) is \$15,000, and the penalty for failure to disclose a listed transaction is \$30,000.

<sup>4</sup> The VCI filing period was from January 1, 2004, to April 15, 2004, collecting approximately \$1.3 billion in revenue from 1,138 taxpayers.

For example, the FTB recently became aware of an abusive tax scheme where corporations use one or more partnerships to improperly reduce the amount of their California income; thus, on January 6, 2011, the FTB “listed”<sup>5</sup> this scheme as an ATAT, requiring all parties involved to file disclosure statements, imposing penalties for any failure to adequately disclose the ATAT, and subjecting understatements resulting from such schemes to additional penalties.

Additionally, the Tax Division of the U.S. Department of Justice recently announced that its civil priorities for 2011 include the abuse of corporate and individual tax shelters (which are estimated to cost Treasury at least \$10 billion annually), schemes, scams, and offshore tax evaders. Tax Division attorneys will continue to participate with other federal agencies in investigating and prosecuting corporate executives, either from a straight tax fraud angle or a corporate angle, and federal prosecutors will continue to pursue international tax crime, including the use of secret offshore trusts in foreign bank accounts to evade taxes.<sup>6</sup>

### Offshore Tax Evasion

Offshore financial arrangements designed to evade tax generally involve tax-haven countries that offer financial secrecy laws in an effort to attract investment from outside its borders. In addition, numerous schemes have been uncovered in which the true ownership of offshore income streams and offshore assets have been hidden or disguised. As a result, substantial amounts of financial activity and its associated income have been improperly shielded from federal and state income taxes.

Over the last few years, the federal government has significantly stepped up its efforts to combat offshore tax evasion. In February, 2009, Swiss bank UBS entered into a deferred prosecution agreement under which the bank admitted to helping U.S. taxpayers hide accounts from the IRS. UBS bankers routinely traveled to the U.S. to market Swiss bank secrecy to U.S. clients interested in attempting to evade federal and state income taxes. Court documents assert that, in 2004 alone, Swiss bankers allegedly traveled to the U.S. approximately 3,800 times to discuss their clients’ Swiss bank accounts. As part of a deferred prosecution agreement, UBS provided the U.S. government with the identities of, and account information for, certain U.S. customers of UBS’s cross-border business.

---

<sup>5</sup> FTB Notice 2011-01, *Abusive Tax Shelters – California Listed Transactions – Abusive Sales Factor Manipulation*, see [http://www.ftb.ca.gov/law/notices/2011/2011\\_01.pdf](http://www.ftb.ca.gov/law/notices/2011/2011_01.pdf)

<sup>6</sup> DOJ Official Outlines Civil, Criminal Enforcement Priorities for 2011, Stephanie Berrong, Tax Analysts, Tax Notes Today, JANUARY 25, 2011.

Hoping to get taxpayers with unreported offshore income back into the U.S. tax system, the IRS developed a voluntary disclosure initiative that ran from March, 2009, to October, 2009. This initiative offered taxpayers an accuracy-related penalty (ARP) of up to 20 percent in lieu of other applicable penalties and possible criminal prosecution if taxpayers disclosed offshore activity and paid any tax and interest attributable to such activity. Approximately 15,000 voluntary disclosures from individuals were received. Since then, the IRS has received an additional 3,000 voluntary disclosures from individuals with bank accounts from around the world.<sup>7</sup> A second offshore voluntary disclosure initiative was announced by the IRS on February 8, 2011. This initiative allows taxpayers to participate until August 31, 2011, and is similar to 2009 initiative, except that it offers an ARP of up to 25 percent in lieu of other applicable penalties and possible criminal prosecution if taxpayers disclose offshore activity and pay any tax and interest attributable to such activity.

From the information received from its first initiative, the IRS has identified several more banks and promoters involved in offshore tax evasion. IRS Criminal Investigation division deputy chief Rick Raven recently said that the IRS is “enjoying unprecedented cooperation with other countries,” stressing that offshore compliance “is not just a Swiss issue,” and said information has come in that involves numerous countries and scores of banks.<sup>8</sup> And, on February 23, 2011, the U.S. Justice Department obtained indictments for four individuals, alleging that these individuals facilitated offshore tax evasion for U.S. taxpayers by opening undeclared accounts—to the tune of \$3 billion in assets—and submitting false qualified intermediary agreement forms to the IRS.<sup>9</sup>

## **ANALYSIS**

### **FEDERAL/STATE LAW**

#### **Federal Law**

##### **In General**

The Internal Revenue Code (IRC) provides detailed rules specifying the computation of taxable income, including the amount, timing, source, and character of items of income, gain, loss, and deduction. These rules permit both the taxpayers and the government to compute taxable income with reasonable accuracy and predictability. Taxpayers may generally plan their transactions in reliance on these rules to determine the federal income tax consequences arising from the transactions.

---

<sup>7</sup> IRS Commissioner Doug Shulman's Statement on UBS / Voluntary Disclosure Program, see <http://www.irs.gov/newsroom/article/0,,id=231520,00.html>

<sup>8</sup> *Past Lessons Guiding New IRS Offshore Disclosure Initiative, CI Official Says*, Jeremiah Coder, Tax Analysts, Tax Notes Today, February 18, 2011.

<sup>9</sup> The indictment alleges that the defendants and their co-conspirators caused U.S. customers to travel outside the U.S., to destinations including Switzerland and the Bahamas, to conduct banking related to their secret accounts; opened secret accounts in the names of nominee tax haven entities for U.S. customers; accepted IRS forms that falsely stated under penalties of perjury that the owners of the secret accounts were not subject to U.S. taxation; advised U.S. customers to structure withdrawals from their secret accounts in amounts less than \$10,000 in an attempt to conceal the secret account and the transactions from American authorities; and, advised U.S. customers to utilize offshore credit, and debit cards linked to their secret accounts and provided the customers with such cards, including cards issued by American Express, Visa and Maestro.

A tax shelter is a tax scheme that has as its significant purpose the avoidance or evasion of tax.<sup>10</sup> Tax shelters are generally structured with one or more of the following characteristics:

- Little or no motive of realization of economic gain;
- Intentional mismatching of income and deductions;
- Overvalued assets or assets with values subject to substantial uncertainty;
- Non-recourse financing and financing techniques that do not conform to standard commercial business practices; and
- Mischaracterization of the substance of the transaction.

Certain tax-shelter transactions are set up with an incidental business purpose to make them appear to be non-shelter transactions; however, a transaction is still a tax shelter if, after being stripped of its tax benefits, it has an insignificant amount of economic value when compared to its tax benefits.

### General Tax-Shelter Penalties

Federal tax-shelter penalties include: (1) imposition of a 20-percent accuracy-related penalty (ARP) (20 percent of the amount of tax underpaid due to the tax shelter) without relief from the substantial-authority and adequate-disclosure exceptions;<sup>11</sup> (2) a separate ARP of up to 30 percent on understatements that result from reportable transactions;<sup>12</sup> and, (3) a separate ARP of up to 40 percent on underpayments that result from transactions lacking economic substance.<sup>13</sup>

### Penalty Coordination

---

<sup>10</sup> IRC section 6662(d)(2)(C)(ii).

<sup>11</sup> IRC section 6662. The 20-percent accuracy-related penalty generally applies to the portion of any underpayment that is attributable to (1) negligence, (2) any substantial understatement of income tax, (3) any substantial valuation misstatement, (4) any substantial overstatement of pension liabilities, (5) any substantial estate or gift tax valuation understatement, (6) any transaction that lacks economic substance, or (7) any undisclosed foreign financial asset understatement. Except in the case of tax shelters, the amount of any understatement is reduced by any portion attributable to an item if (1) the treatment of the item is supported by substantial authority, or (2) facts relevant to the tax treatment of the item were adequately disclosed and there was a reasonable basis for its tax treatment.

<sup>12</sup> IRC section 6662A. A reportable transaction is generally any transaction that has a potential for avoiding or evading tax and the transaction is required to be included on a return or statement. The separate accuracy-related penalty applies to understatements resulting from reportable transactions if a significant purpose of such transaction is the avoidance or evasion of federal income tax. The penalty is 20 percent of the understatement if the transaction is adequately disclosed and 30 percent of the understatement if it is not, and the adequate-disclosure and reasonable-cause exceptions do not apply.

<sup>13</sup> IRC section 6662(b)(6). The separate accuracy-related penalty applies to an underpayment attributable to any disallowance of claimed tax benefits by reason of a transaction lacking economic substance, as defined in IRC section 7701(o), or failing to meet the requirements of any similar rule of law. The penalty rate is 20 percent, increased to 40 percent if the transaction is not adequately disclosed.

Federal law provides coordination among the above-listed penalties to provide that any understatement is only subject to one of the penalties (i.e., the general ARP, the separate ARP on certain reportable transactions, or the separate ARP on noneconomic substance transactions).

### Other Provisions

Other federal tax-shelter provisions include the public listing of transactions of interest (TOI) as a category of reportable transactions, and denial of interest suspension for ATATs.

A TOI is a transaction that the IRS and the Treasury Department believe is a transaction that has the potential for tax avoidance or evasion, but lacks sufficient information to determine whether the transaction should be identified specifically as an ATAT. Taxpayers are subject to disclosure requirements for any participation in a TOI, and penalties for the failure to make such a disclosure.<sup>14</sup>

Interest suspension is the term used to describe the suspension of the imposition of any interest, penalty, or addition to tax if the IRS does not issue a notice of additional proposed tax within 36 months from the date of a timely-filed return. Interest, penalties, or additions to tax may not be computed on the additional proposed tax from the day after that 36-month period until 21 days after the notice is issued. Interest suspension does not apply to any undisclosed transaction that the IRS has determined to have the potential for tax avoidance or evasion or to any transaction that the IRS has determined to be an ATAT.<sup>15</sup>

Additionally, federal law imposes a 20-percent penalty on any amount of a refund claim (an amended return that claims a refund of tax previously reported and paid) that lacks a reasonable basis.<sup>16</sup> The purpose of the baseless-refund-claim penalty is to impose the same reporting standard on refund claims that is imposed on original returns; that is, any transaction that serves as the basis of the refund claim must be reasonably based on a law, case, or administrative ruling.<sup>17</sup> Congress enacted the penalty in 2007 because certain tax-return preparers were flooding the IRS with baseless refund claims to circumvent the reporting standards that apply to original returns; that is, if frivolous or abusive transactions are reported in an original return, such transactions are subject to the ARP. However, prior to the enactment of the penalty on baseless refund claims, such frivolous or abusive transactions could be reported in a refund claim without exposure to the ARP. Without such exposure, the only risk of filing a baseless refund claim was generally the denial of the claim; and, because any claim the IRS did not examine was allowed, certain tax-return preparers filed as many claims as possible to overload IRS examiners and increase the percentage of allowed claims.

---

<sup>14</sup> Treas. Reg. section 1.6011-4(b)(6).

<sup>15</sup> IRC section 6404(g).

<sup>16</sup> IRC section 6676.

<sup>17</sup> The reporting standard "reasonable basis" is defined in Treas. Reg. section 1.6662-3(b)(3).

## State Law

### In General

California generally conforms to the federal rules specifying the computation of taxable income, with modifications, and conforms to federal definition of a tax shelter.

### General Tax-Shelter Penalties

California generally conforms to the federal tax-shelter penalties that: (1) impose the 20-percent ARP without relief from the substantial-authority and adequate-disclosure exceptions,<sup>18</sup> and (2) impose a separate ARP on understatements that result from reportable transactions.<sup>19</sup> California does not conform to the separate ARP on underpayments that result from transactions lacking economic substance, but instead has its own noneconomic substance transaction understatement (NEST) penalty.

The California NEST penalty is imposed on any noneconomic substance transaction understatement.<sup>20</sup> A “noneconomic substance transaction understatement” is an understatement resulting from the disallowance of any loss, deduction or credit, or addition to income that is attributable to a transaction that lacks economic substance. A transaction is treated as lacking economic substance if the taxpayer lacks a valid nontax California business purpose for entering into the transaction. The NEST penalty is 20 percent of the understatement if the transaction is adequately disclosed and 40 percent of the understatement if it is not. Reasonable-cause and adequate-disclosure exceptions do not apply, and the penalty may only be relieved by the Chief Counsel of the FTB.

### Penalty Coordination

California law provides coordination among the above-listed penalties to provide that any understatement is only subject to one of the penalties (i.e., the general ARP, the separate ARP on certain reportable transactions, or the NEST penalty).

### Other Provisions

Other California tax-shelter provisions include the denial of interest suspension, an interest-based penalty, an eight-year statute of limitations, and authorization for the Executive Officer of the FTB to sign certain subpoenas.

Interest suspension generally applies in a similar manner as it applies under federal law. If the FTB does not issue a notice of proposed additional tax within 36 months from the date of a timely-filed return, interest, penalties, or additions to tax may not be computed on the additional proposed tax from the day after that 36-month period until 15 days after FTB issues that notice. Additionally, interest suspension does not apply to taxpayers with taxable income greater than \$200,000 that have been contacted by the FTB regarding a potentially abusive tax shelter.<sup>21</sup>

---

<sup>18</sup> R&TC section 19164.

<sup>19</sup> R&TC section 19164.5.

<sup>20</sup> R&TC section 19774.

<sup>21</sup> R&TC section 19116.

If a taxpayer has a deficiency that results from the use of an undisclosed reportable transaction, a listed transaction, or a gross misstatement, a penalty based on interest applies. The penalty is 100 percent of the interest payable up to the date that a notice of proposed deficiency is mailed. Because the penalty is based on the amount of interest on a deficiency, a taxpayer may avoid the penalty by filing an amended return prior to the FTB issuing a deficiency notice.<sup>22</sup>

If the FTB identifies an adjustment relating to an ATAT, the FTB may notify the taxpayer of a proposed deficiency assessment up to eight years after the taxpayer has filed the return, rather than the normal four-year statute of limitations.<sup>23</sup>

The FTB may issue a subpoena to any person to carry out its duty of administering the franchise and income tax laws. Generally, a subpoena must be signed by a member of the FTB; however, in the case of a potentially abusive tax shelter, the Executive Officer of the FTB or any designee is authorized to sign a subpoena.<sup>24</sup>

### THIS BILL

This bill would authorize the FTB to administer a VCI (herein "VCI Two") that would provide a narrow tax amnesty for taxpayers that utilized an ATAT or that have unreported income from the use of an offshore financial arrangement, and would make amendments to current law to encourage participation in VCI Two.

The primary terms of VCI Two would be as follows:

- The filing period would be April 1, 2011, to June 15, 2011.
- VCI Two would apply to taxable years beginning before January 1, 2010.
- Participants would be required to file amended returns and pay all unpaid tax and interest resulting from an ATAT or from unreported offshore financial arrangements, and all VCI Two issues would be closed without appeal rights.
- Taxpayers eligible to participate in VCI Two would include taxpayers that have:
  - ATATs currently under audit;
  - ATAT cases in protest;
  - Unknown ATATs; and
  - Unreported income from the use of an offshore financial arrangement.
- For qualified participants, all penalties would be waived except for the:
  - Large corporate understatement penalty (LCUP); and
  - Amnesty penalty.

---

<sup>22</sup> R&TC section 19777.

<sup>23</sup> R&TC section 19755.

<sup>24</sup> R&TC section 19504.

- No criminal action would be brought against any qualified VCI Two participant that, as of March 31, 2011, is not the subject of a criminal complaint or under criminal investigation in connection with an ATAT or unreported income from the use of an offshore financial arrangement.
- The statute of limitations for the FTB to find and issue an assessment on ATAT cases would be increased from eight to twelve years.
- The interest-based penalty would be modified to prevent taxpayers from avoiding the penalty by filing an amended return after being contacted by the FTB, but prior to the FTB issuing a deficiency notice; instead, 50 percent of the penalty would be imposed on any such amended return filed after the VCI Two filing period.
- The current-law California NEST penalty would be modified to provide that it would be imposed on any California understatement resulting from a transaction that the IRS examines and determines lacks economic substance.
- The California “reportable transaction” definition<sup>25</sup> would be modified to include a California TOI. A California TOI would be a transaction of the type that the FTB has identified by notice or regulation as a TOI.
- California would conform to the penalty on baseless refund claims, modified to provide that the penalty would not apply to any individual with an adjusted gross income shown on an original return that is equal to or less than \$75,000 (or \$150,000 in the case of individuals filing a joint return or a surviving spouse). The baseless-refund-claim penalty would have no direct interaction with the LCUP; specifically, corporations that over assess their taxes on an original return to avoid the LCUP could receive a refund of any excess taxes paid when a refund claim is filed to reduce the tax liability on legitimate grounds. The baseless-refund-claim penalty would only apply if a corporation files a refund claim that is not reasonably based on any law, case, or administrative ruling.

Additionally, this bill would eliminate the current-law inconsistencies of the definition of abusive tax shelters by creating a uniform definition of an ATAT, which would mean any of the following:

1. A California tax shelter;
2. A reportable transaction that’s not adequately disclosed;
3. A listed transaction;
4. A gross misstatement; or
5. A transaction subject to the NEST penalty.

This bill would coordinate this uniform definition of ATATs in the application of:

- The interest-based penalty;
- The interest-suspension rule;
- The twelve-year statute of limitations; and
- The authority to issue subpoenas.

---

<sup>25</sup> A “reportable transaction” under R&TC section 18407 is any transaction that the IRS or the FTB determines to have the potential for tax avoidance or evasion.

## IMPLEMENTATION CONSIDERATIONS

The VCI Two filing period would be over before the bill becomes effective. This bill would require the FTB to develop and administer VCI Two with a filing period of April 1, 2011, to June 15, 2011; however, this bill would not be effective until January 1, 2012.

Assuming the effective-date issue is resolved, VCI Two would be a mandated workload; thus, additional resources would be required, as described below under "Fiscal Impact."

## TECHNICAL CONSIDERATIONS

Amendments are suggested to make minor technical modifications.

## **LEGISLATIVE HISTORY**

AB 2498 (Skinner, 2009/2010) would have enacted a VCI that would have been similar to this bill. That bill was not brought for a vote in the policy committee of the second house.

AB 115 (Stats. 2005, Ch. 691) modified the ATAT statutes to conform to certain provisions of federal abusive-tax-shelter legislation that was enacted in 2004.

SB 614 (Cedillo and Burton, Stats. 2003, Ch. 656) and AB 1601 (Frommer, Stats. 2003 Ch. 654) required the FTB to promote and administer a VCI and enacted a regime of penalties and other provisions to curtail the use of ATATs.

## **FISCAL IMPACT**

FTB staff estimates costs of approximately \$631,000, \$513,000, and \$509,000 for fiscal years 2010/11, 2011/12, and 2012/13, respectively, for additional personnel, processing, and system-change costs to implement a VCI that is described in this bill.

## **ECONOMIC IMPACT**

### Revenue Estimate

Estimated Revenue Impact of SB 342 As Introduced February 15, 2011			
2010-11	2011-12	2012-13	2013-14
\$4,000,000	-\$3,000,000	\$1,800,000	\$14,400,000

### Revenue Discussion

The revenue estimate assumes there would be no revenue from the VCI Two initiative because the filing period would occur before the bill would become effective. Thus, this is an estimate of the enhanced enforcement measures that this bill would enact to deter the use of ATATs and of conforming to the penalty on baseless refund claims.

## **SUPPORT/OPPOSITION**

Support: None provided by Author

Opposition: None provided by Author

## **ARGUMENTS**

Pro: This bill would modify existing statutes to curtail the use of ATATs and to reduce the considerable number of baseless refund claims that the department must either examine or pay.

Con: Some taxpayers may argue that it's unfair to prohibit taxpayers that participate in VCI Two from subsequently filing a refund claim for any amounts paid during the VCI Two filing period.

## **LEGISLATIVE STAFF CONTACT**

Scott McFarlane

Legislative Analyst, FTB

(916) 845-6075

[scott.mcfarlane@ftb.ca.gov](mailto:scott.mcfarlane@ftb.ca.gov)

Brian Putler

Legislative Director, FTB

(916) 845-6333

[brian.putler@ftb.ca.gov](mailto:brian.putler@ftb.ca.gov)

Analyst  
Telephone #  
Attorney

Scott McFarlane  
845-6075  
Patrick Kusiak

FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SB 342  
As Introduced February 15, 2011

AMENDMENT 1

On page 7, line 15, after "definitions and special rules," insert:

as amended by Section 1409(c) the Health Care and Education Reconciliation Act of 2010  
(Public Law 111-152),

AMENDMENT 2

On page 7, line 28, strikeout "transaction", and insert:

transactions

AMENDMENT 3

On page 7, line 38, after "claim", insert:

for refund

AMENDMENT 4

On page 8, line 17, after "any claim filed or submitted", insert:

on or

AMENDMENT 5

On page 20, lines 4-5, strikeout "January 1, 2010", and insert:

January 1, 2011